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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:	)	
INTERNATIONAL SHIPHOLDING	)	
CORPORATION, <i>et al.</i> , <sup>1</sup>	)	Chapter 11
Debtors.	)	Case No. 16-12220 (SMB)
	)	Jointly Administered

**DECLARATION OF LAURENCE H. GURLEY  
IN SUPPORT OF ENTRY OF ORDER APPROVING THE SALE OF  
THE SPECIALTY BUSINESS ASSETS TO STALKING HORSE PURCHASER**

I, Laurence H. Gurley, declare as follows under penalty of perjury:

1. I am a Managing Director at Blackhill Partners, LLC ("Blackhill"), an investment banking firm with its principal office located at 2651 North Harwood Street, Suite 120, Dallas,

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: International Shipholding Corporation (9662); Enterprise Ship Co. (9059); Sulphur Carriers, Inc. (8965); Central Gulf Lines, Inc. (8979); Coastal Carriers, Inc. (6278); Waterman Steamship Corporation (0640); N.W. Johnsen & Co., Inc. (8006); LMS Shipmanagement, Inc. (0660); U.S. United Ocean Services, LLC (1160); Mary Ann Hudson, LLC (8478); Sheila McDevitt, LLC (8380); Tower LLC (6755); Frascati Shops, Inc. (7875); Gulf South Shipping PTE LTD (8628); LCI Shipholdings, Inc. (8094); Dry Bulk Australia LTD (5383); Dry Bulk Americas LTD (6494); and Marco Shipping Company PTE LTD (4570). The service address for each of the above Debtors is 601 Poydras Street, Pan American Building, Suite 1850, New Orleans, Louisiana 70130.

Texas, and the investment banker retained by the Debtors in the above-captioned bankruptcy cases. I have worked at Blackhill from 2011 to the present.

2. I submit this declaration in support of the *Debtors' Motion for (I) an Order Establishing Bidding Procedures and Granting Related Relief and (II) an Order or Orders Approving the Sale of the Debtors' Assets in the Specialty Business Segment* [ECF No. 300] (the "Sale Motion")<sup>2</sup> and the entry of an order (the "Sale Order") approving the sale of the Specialty Business Assets to the Stalking Horse Purchaser, J Line Corporation, pursuant to the terms of the Asset Purchase Agreement by and among the Stalking Horse Purchaser and certain of the Debtors and their non-Debtor affiliates (the "Asset Purchase Agreement").

3. I have been one of the principal personnel working on Blackhill's engagement with the Debtors and their non-debtor affiliates and subsidiaries since May 2016. In connection with the proposed Sale Order and Asset Purchase Agreement, I participated directly in discussions, due diligence, and negotiations with the Debtors' management, the independent members of the board of directors (the "Board") of International Shipholding Corporation ("ISH" and, together with its debtor and non-debtor subsidiaries and affiliates, "International Shipholding"), the Debtors' outside counsel, and potential purchasers and bidders for the assets that are subject to the Asset Purchase Agreement.

4. I am not being compensated specifically for this testimony other than through payments received by Blackhill as a professional retained by the Debtors in these chapter 11 cases. If called upon to testify, I would testify competently to the facts set forth in this declaration.

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<sup>2</sup> Capitalized terms not defined herein shall have the same meaning as ascribed to such terms in the Sale Motion.

5. In forming the opinions set forth herein, I have relied upon and/or considered, among other things, the following: (a) my experience in chapter 11 cases, including with the sales of assets and issues attendant to the marketing of such assets; (b) the Sale Motion; (c) the *Order Establishing Bidding Procedures Relating to the Sale of the Debtors' Assets in the Specialty Business Segment* [D.I. 367] (the "Bidding Procedures Order"), entered on November 18, 2016, and which approved the bidding procedures portion of the Sale Motion; (d) discussions with the Debtors' management concerning the Debtors' business and the marketing of the Debtors' assets; (e) discussions with other professionals and advisors to the Debtors; (f) discussions with potential purchasers of the Debtors' assets and other interested parties; (g) discussion with the independent members of the Board; and (h) my relevant knowledge of the shipping industry.

**A. Marketing Efforts**

6. Since early July 2016, the Debtors have been marketing their operations and assets through Blackhill to a broad array of potential strategic and financial third party buyers in an effort to solicit interest for the sponsorship of a reorganization plan for the Debtors or the purchase of some or all of the Debtors' assets, including the Specialty Business Segment.<sup>3</sup>

7. Since the filing of their chapter 11 cases, the Debtors have been actively engaged with their pre-petition lenders, the lenders under their post-petition debtor-in-possession credit facility, their unions, and the Committee. The Debtors have held weekly calls with these creditor constituencies, in addition to multiple in-person meetings and regular informal discussions as needed. As a result of this collaboration, and in consultation with their advisors, the Debtors

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<sup>3</sup> For purposes of the Sale Motion, the Debtors defined the "Specialty Business Segment" as being comprised of various contracts and agreements between Company affiliates and third parties, as well as certain notes receivable financing certain vessels owned by third parties, in each case relating to the Company's provision of logistical and seaborne transportation services in Southeast Asia and third party brokerage services related to these Southeast Asian operations.

determined that a sale of the Assets would preserve and maximize the value of their estates and, accordingly, is in the best interests of their estates and creditors.

8. Through the pre-petition and post-petition marketing process, Blackhill (i) contacted approximately sixty-eight (68) prospective buyers, (ii) received signed non-disclosure agreements from twenty-eight (28) interested parties and provided such parties with access to a virtual data room and the Debtors' professionals, and (iii) received ten (10) indications of interest for either purchasing substantially all of the Debtors' assets or for one of the Debtors' individual business segments. The Debtors received two specific proposals for the purchase of the Assets, one from the Stalking Horse Purchaser and another from Hemisphere Logistics LLC ("HLL").

9. After providing diligence and negotiating terms with each interested counterparty, the Debtors determined that the Stalking Horse Purchaser's proposal represented the highest and best proposal. In connection with this determination, the Debtors agreed to provide the Stalking Horse Purchaser with an expense reimbursement but no break-up fee. The Debtors then went back to HLL to solicit a topping bid, but such competing bidder declined to increase its bid. Thus, the Debtors executed the purchase and sale agreement for the Specialty Business Segment (the "Stalking Horse Agreement") in order to maximize value for the estates.

10. The Stalking Horse Purchaser is substantially owned by Erik L. Johnsen, the CEO of the Debtors and an insider of the Debtors. Consequently, the Debtors and their professionals were extraordinarily careful to ensure that the negotiation of the Stalking Horse Agreement was conducted at arm's-length. During the negotiations, the Debtors' interests were represented by Blackhill and Manuel Estrada, the Debtors' chief financial officer. Mr. Johnsen and his family members were not privy to the Debtors' consideration of the competing bids and Mr. Johnsen

and his cousin, Niels M. Johnsen, who are two of the eight members of the Board, recused themselves from voting on all matters related to the Sale Motion and the Plan.

11. As a result of the arm's-length negotiations, the Stalking Horse Agreement represented a substantially higher purchase price for the assets than any other proposal received prior to the subsequent auction. The Debtors also believed that the Stalking Horse Agreement represented lower execution risk than any other proposal. Further, the process for soliciting overbids through an auction process as described below ensured that other parties had the opportunity to submit higher or better bids in order to maximize the recovery from the Specialty Business Segment assets.

**B. The Auction for the Specialty Business Assets**

12. Following the entry of the Bidding Procedures Order, on December 8, 2016, the Debtors received a bid from HLL for the Specialty Business Assets. The Debtors, represented by Mr. Estrada and the independent members of the ISH Board, on behalf of, respectively, International Shipholding management and the ISH Board, consulted with their advisors (including myself and other members of my team as well as other professionals retained by the Debtors) and the Bid Consultation Parties, and engaged the bidders in substantial arm's-length negotiations regarding certain aspects of their bids. The above-referenced representatives of the Debtors subsequently deemed the bid submitted by HLL to be the highest or otherwise best Qualified Bid at that time and declared it the Auction Baseline Bid. On December 14, 2016, the Debtors' advisors provided the Stalking Horse Bidder with a copy of the Auction Baseline Bid.

13. In accordance with the Bidding Procedures Order, since they received two Qualified Bids, the Debtors commenced the Auction on December 15, 2016, at the New York offices of the Debtors' legal counsel which the Debtors' management and Mr. James J.

McNamara, an independent member of the Board, the Consultation Parties, the Stalking Horse Bidder, and HLL attended.<sup>4</sup> At the Auction, both of the Qualified Bidders elected to submit further bids and engaged in a highly competitive, ten-round bidding process by increments of \$500,000 or more, that resulted in material improvements in both purchase price and contract terms. The Auction lasted for approximately four (4) hours with multiple recesses to facilitate discussions between the Debtors and individual Qualified Bidders, to allow individual Qualified Bidders to consider how they would proceed and to allow the Debtors to consult with the Consultation Parties.

14. The Auction culminated in the Debtors declaring, in consultation with their professionals and the Bid Consultation Parties, an all-cash bid submitted by the Stalking Horse Purchaser for the Specialty Business Assets of \$24.5 million, with certain modifications to the Stalking Horse Agreement as discussed on the record and memorialized in the Asset Purchase Agreement, as the highest, best, and winning bid at the Auction (the “Successful Bid”). The Successful Bid submitted by the Stalking Horse Purchaser provides *an additional \$6.5 million* for the Debtors’ estates as compared to the Stalking Horse Purchaser’s original bid. In addition to determining the Successful Bid, the Debtors designated HLL as the Backup Bidder. The Backup Bidder proposes to purchase the Specialty Business Assets for a total purchase price of \$24 million on otherwise materially the same terms as the Successful Bid.

15. I believe that the Asset Purchase Agreement, as executed among the Debtors and the Stalking Horse Purchaser, represents the highest and otherwise best offer received for the Specialty Business Assets. The Asset Purchase Agreement reflects the highest cash bid the Debtors received for the Specialty Business Assets during the Auction, which is also a substantial

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<sup>4</sup> Attached hereto as Exhibit A is the transcript from the Auction.

(approximately 36%) improvement over the Auction Baseline Bid, and materially improved contract terms over the Stalking Horse Agreement. Moreover, based upon Blackhill's review of the information provided by the Stalking Horse Purchaser to the Debtors and in reliance upon the representations made in connection therewith, I believe that the Stalking Horse Purchaser will be able to close the sale transaction and perform all associated obligations in a timely fashion.

16. I further believe that the Debtors, with the assistance of their advisors, conducted the Auction in a manner that was thorough, fair, and complied with the Bidding Procedures in all material respects. All Qualified Bidders were afforded a full, fair, and reasonable opportunity to submit higher or better offers for some or all of the Specialty Business Assets and to object or otherwise be heard with respect to the process. At all times during the Auction, the Debtors' negotiations and discussions were conducted in good faith, at arm's-length, and by parties who were at all times represented by their own counsel and advisors.

**C. Executory Contracts and Unexpired Leases**

17. The Asset Purchase Agreement also provides that the Stalking Horse Purchaser will assume certain executory contracts and unexpired leases in connection with the sale of the Specialty Business Assets. Based upon Blackhill's review of the financial information provided by the Stalking Horse Purchaser to the Debtors and Blackhill and in reliance upon the representations provided by the Stalking Horse Purchaser as to the accuracy of such information, I believe that the Stalking Horse Purchaser will be able to perform its future obligations under such executory contracts and unexpired leases.

**D. Conclusion**

18. For all of the foregoing reasons, I believe that the Debtors, with the help of their advisors, have conducted a robust sale and marketing process for the Specialty Business Assets

that has maximized value for their creditors and estates. In light of the Debtors' comprehensive sale and marketing process and the results of the Auction, I do not believe that further marketing of the Specialty Business Assets would have resulted in higher or otherwise better offers for the Specialty Business Assets, and I believe that the sale contemplated by the Asset Purchase Agreement should be approved by this Court.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: December 18, 2016  
Dallas, Texas

Respectfully submitted,

/s/ Laurence H. Gurley  
Laurence H. Gurley  
Managing Director  
Blackhill Partners, LLC



**EXHIBIT A**

**Auction Transcript**

1  
2 UNITED STATES BANKRUPTCY COURT  
3 SOUTHERN DISTRICT OF NEW YORK

4 IN RE: )  
5 )  
6 INTERNATIONAL SHIPHOLDING )Chapter 11  
7 CORPORATION, et al., )  
8 )16-12220(SMB)  
9 Debtors, )  
10 )  
11 -----)

12 AUCTION PROCEEDINGS  
13 New York, New York  
14 Thursday, December 15, 2016  
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24 Reported by:  
25 Philip Rizzuti  
JOB NO. 117030

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December 15, 2016

12:15 p.m.

AUCTION PROCEEDINGS, held at the  
offices of Akin Gump Strauss Hauer &  
Feld LLP, One Bryant Park, New York,  
New York, pursuant to order, before  
Philip Rizzuti, a Notary Public of the  
State of New York

A P P E A R A N C E S:

AKIN GUMP STRAUSS HAUER & FELD

Attorneys for Debtors

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BUTLER SNOW

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5430 Lyndon B. Johnson Freeway

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BY: MARTIN SOSLAND, ESQ.

A P P E A R A N C E S:

PACHULSKI STANG ZIEHL & JONES

Attorneys for Committee

780 Third Avenue

New York, New York 10017

BY: BRADFORD SANDLER, ESQ.

ROBERT FEINSTEIN, ESQ.

ALSO PRESENT:

STEVE FURMAN, Regions Bank

JON LUBIN, Hemisphere Logistics

JANET YEUNG, Hemisphere Logistics

KEITH WHITTAKER, Hemisphere Logistics

DEAN FEZZA, Hemisphere Logistics

CARL RASMUSSEN, Hemisphere Logistics

ABHI RAVAL, Hemisphere Logistics

DENNIS O'DONNELL, Hemisphere Logistics

ROLAND HLAWATY, Hemisphere Logistics

KENNETH BECKER, Committee

SUNIL KURIEN, Committee

MARTIN SOSLAND, J Line

ERIK JOHNSEN, J Line

A P P E A R A N C E S:

DENNIE REPEROWITZ, Capital One

LANCE GURLEY, Blackhill

MATT DENNY, Blackhill

HARDIN BETHEA, Blackhill

JUSTIN O'MALLEY, Blackhill

MANNY ESTRADA, Debtor

JIM McNAMARA, Board of Directors

ROBERT GAYDA, DVB Bank

JOHN ASHMEAD, DVB Bank

JOANNE LUCKEY, Seacor

NELLY ALMEIDA, Seacor

EVAN FLECK, Seacor

1 Auction Proceedings

2 MS. SCHULTZ: Good morning  
3 everyone, or good afternoon, we  
4 appreciate everybody's patience as we are  
5 getting ready to start today.

6 My name is Sarah Schultz, I  
7 together with my partners Stephen Kuhn,  
8 David Botter and Patrick Rice, along with  
9 our team represent International  
10 Shipholding in their Chapter 11  
11 bankruptcy. We are joined today at the  
12 front table by Mr. Manny Estrada who is  
13 the company's CFO, as well as Jim  
14 McNamara who is the ISH independent board  
15 member, and Mr. Lance Gurley of Blackhill  
16 who is the lead investment banker on  
17 behalf of the company.

18 As I think everybody knows we are  
19 here in connection with the Chapter 11  
20 case 16-12220 pending before Judge Stuart  
21 Bernstein in the United States Bankruptcy  
22 Court for the Southern District of New  
23 York. More specifically we are here for  
24 the auction of certain assets of what we  
25 have been referring to as the specialty

1 Auction Proceedings

2 business. These are the assets that are  
3 described in detail in the order  
4 establishing bidding procedures relating  
5 to the sale of the debtor's assets in the  
6 specialty business segment that was  
7 entered on November 18, 2016 at docket  
8 number 367, which I will refer to as the  
9 bidding procedures order.

10 We will be conducting today's  
11 auction in accordance with the bidding  
12 procedures order. Copies of the order  
13 are available in this auction room along  
14 with copies of the stalking horse bid and  
15 various other pleadings filed on the  
16 docket that are related to the auction  
17 process, they are available at the back  
18 table.

19 If there are court documents that  
20 you require during this process that we  
21 do not have in this room please let one  
22 of the debtor advisors know and we will  
23 endeavor to get you a copy.

24 This proceeding is being recorded  
25 as you can see by a court reporter. In



1 Auction Proceedings

2 connection with that we would note that  
3 he will be recording all official  
4 components of this auction. In order to  
5 ensure a clean record, which I think we  
6 all want, we would ask that you identify  
7 yourselves for the record each time you  
8 speak. Please allow the previous speaker  
9 to finish before speaking, and either  
10 come to the podium or use the hand held  
11 microphone when you speak to ensure that  
12 he can hear everything that you say.

13 We would ask that each bidder  
14 identify a single spokesperson for their  
15 bid. With that we will launch into the  
16 details.

17 The debtors have received two bids  
18 for the specialty assets. The first was  
19 received from the stalking horse bidder J  
20 Line Corporation. That bid was attached  
21 to the bid procedures order. The second  
22 was received from Hemisphere Logistics  
23 LLC. So there is no confusion we are  
24 referring to the asset purchase agreement  
25 that was attached to Jonathan Lubin's

1 Auction Proceedings

2 E-mail of 4:26 p.m. Central time on  
3 12/8/2016.

4 Over the weekend the debtors  
5 received notice from J Line Corporation  
6 of certain clarifications with respect to  
7 the bid for J Line Corporation that were  
8 shared with the consultation parties as  
9 defined in the bid procedures and which  
10 were shared by the debtors with  
11 Hemisphere Logistics.

12 Subsequent to providing the J Line  
13 clarifications the debtors have discussed  
14 such clarifications with Hemisphere  
15 Logistics and we understand at the  
16 conclusion of my presentation that a  
17 representative of Hemisphere will be  
18 putting certain revisions with respect to  
19 the Hemisphere bid on the record.

20 Based on all of the information  
21 submitted to the debtors and the  
22 advisors, including the revisions that I  
23 just referenced, the independent members  
24 of the debtor's board of directors have  
25 upon the advice of debtor's counsel Akin

Auction Proceedings

Gump, and the debtor's investment banker Blackhill, determined that the bid submitted by Hemisphere is a qualified bid as such term is defined in the bidding procedures.

In accordance with the bidding procedures yesterday afternoon the debtors provided a copy of the Hemisphere bid to J Line Corporation together with a red line against the J Line bid.

The debtors also consulted with consultation parties. Based on this consultation the debtors have determined the Hemisphere APA will serve as the auction baseline bid as such term is defined in the bidding procedures.

Accordingly in addition to identifying any increase in consideration with respect to each bid any party submitting a bid at the auction will need to identify any changes or modifications they wish to make to the Hemisphere APA. Any changes not announced on the record in connection with the bid will not be

1 Auction Proceedings

2 deemed part of the bid, and every bid  
3 shall be irrevocable.

4 In accordance with the bid  
5 procedures all increases shall be in  
6 \$500,000 increments unless the debtors in  
7 accordance with the bid procedures  
8 provide otherwise.

9 Additionally we will be asking  
10 each bidder to confirm that they have not  
11 engaged in collusion in connection with  
12 the submission of their bid.

13 If a party wishes to confer  
14 outside of the main auction room they may  
15 ask the debtor to take a break. The  
16 debtors will do their best to honor such  
17 requests, but reserve the right to limit  
18 the length of such breaks.

19 At this time we would ask that a  
20 representative on behalf of each of the  
21 qualified bidders acknowledge that they  
22 have reviewed the bidding procedures, the  
23 bidding procedures order, and that they  
24 are prepared to comply with such  
25 documents during the course of this

1 Auction Proceedings

2 auction. We would also at that time ask  
3 for an acknowledgement that the parties  
4 have not engaged in collusion.

5 We know the parties have been here  
6 for a while this morning, we appreciate  
7 your patience as we move through this  
8 process.

9 MR. SOSLAND: Martin Sosland of  
10 Butler Snow speaking for J Line  
11 Corporation. We have read and reviewed  
12 the bidding procedures and we have not  
13 engaged in collusion.

14 MR. RAVAL: Abhilash Raval,  
15 Milbank Tweed Hadley & McCoy on behalf of  
16 Hemisphere Logistics. We have read and  
17 reviewed the bidding procedures and  
18 bidding procedures order and acknowledge  
19 them, and also have not undertaken any  
20 collusive actions.

21 MS. SCHULTZ: So I think now the  
22 floor is to Hemisphere to provide further  
23 revisions to their bid.

24 MR. RAVAL: With respect to the  
25 Hemisphere Logistics bid, Sarah I think

1 Auction Proceedings

2 you referenced the December 8th asset  
3 purchase agreement, there have been  
4 subsequent revisions. So the draft  
5 purchase agreement that we have executed  
6 and delivered to you is one dated  
7 December 13, 2016. I believe that is the  
8 one that is also sitting out there on the  
9 chairs.

10 Our bid for \$18,850,000 broken up  
11 in the following amounts: \$18,850,000  
12 cash consideration. We are then giving  
13 indemnity as set forth in the same form  
14 and substance as set forth in the current  
15 purchase agreement in the amount of not  
16 more than \$892,000 for the following  
17 items. The indemnity would cover the  
18 punitive equity participation fee of  
19 approximately a million 5. It would  
20 cover the annual return on that million 5  
21 which I understand would be approximately  
22 \$120,000. It would also cover the annual  
23 fee which we understand to be \$600,000,  
24 and the bonus which we understand to be  
25 \$200,000.

1 Auction Proceedings

2 That indemnity that we are  
3 providing would be in the same form and  
4 substance as the current indemnity set  
5 forth in our first agreement, and it  
6 would cover just those four items that we  
7 have addressed in the indemnity that  
8 would be provided by Hemisphere  
9 Logistics.

10 With respect to section 1.1(j) of  
11 our asset purchase agreement we would  
12 delete the reference to acquiring  
13 proceeds of insurance, and we would also  
14 add \$42,000 cash to sum up to -- one  
15 moment.

16 MS. SCHULTZ: Off the record for a  
17 moment.

18 (Recess taken.)

19 MR. RAVAL: Two clarifications.

20 One, our bid sits at 18,850,000  
21 plus the indemnity, so there is not an  
22 additional \$42,000, sorry that was my  
23 math that was incorrect.

24 Secondly with respect to 1.1(j)  
25 also a clarification, we are simply

1 Auction Proceedings

2 carving out the \$300,000 of insurance  
3 proceeds that is coming to the company.  
4 Any other insurance proceeds would still  
5 come to Hemisphere Logistics.

6 We understand on these terms that  
7 we are a qualified bidder.

8 MR. BOTTER: One question before  
9 you leave. With respect to the indemnity  
10 can you just clarify that is in addition  
11 to the existing indemnity in the  
12 agreement?

13 MR. RAVAL: Correct. It would be  
14 in addition to the existing indemnity in  
15 the agreement, it would have the same  
16 substance, forms, terms and conditions.

17 MR. BOTTER: For these specific  
18 items?

19 MR. RAVAL: For these specific  
20 items, correct.

21 MS. SCHULTZ: One clarification  
22 question as it relates to your changes in  
23 1.1(j). The intent is to carve out the  
24 claim, correct, and not limiting the  
25 payment?



1 Auction Proceedings

2 MR. RAVAL: Correct, so we are  
3 carving out that claim, insurance claim  
4 that is for \$300,000. But we would be  
5 maintaining our right to acquire all  
6 other insurance claims that may exist.

7 MR. GURLEY: For the record, Lance  
8 Gurley of Blackhill Partners, investment  
9 banker to the debtor. I appreciate  
10 everybody being here today.

11 With those clarifications we will  
12 open the auction. The auction baseline  
13 bid is that of Hemisphere Logistics as  
14 clarified on the record by Mr. Raval.  
15 The minimum overbid increment as set in  
16 the bidding procedures is \$500,000.

17 So we will turn the floor to J  
18 Line.

19 MR. SOSLAND: You mind if I do it  
20 from here, I will use a mike.

21 J Line will respond to the changes  
22 to the agreement as follows. We have a  
23 couple of additional modifications to the  
24 agreement which I will go through and  
25 then we will bid.

1 Auction Proceedings

2 We will bid off of the -- so we  
3 are making it apples to apples off of the  
4 form that Hemisphere Logistics is using  
5 with these modifications.

6 We will delete section 4.3. We  
7 will delete the last section of 7.1, and  
8 if I miss any other specific references  
9 to the MHR's, NDA's, obviously all of  
10 those, and we will keep our corporate  
11 representations as opposed to the  
12 competing bidder's bid.

13 MR. KUHN: Just for clarification,  
14 Stephen Kuhn for the record. In regard  
15 to section 7.1 I think you said the last  
16 section, did you mean the last sentence?

17 MR. SOSLAND: I did mean the last  
18 sentence, thank you. The last sentence  
19 of paragraph 7.1 we would delete.

20 We will delete the first sentence  
21 of section 9.2(i). To the extent that  
22 the second sentence of 9.2(i) needs to be  
23 modified to reflect the current state of  
24 any of the mortgages, we will do so. It  
25 being the intent that we will acquire the

1 Auction Proceedings

2 mortgages as they -- in the state that  
3 they exist today.

4 With regard to the items that were  
5 announced by the bidder that were going  
6 to be added to the indemnity, we will add  
7 each of those items to the assumed  
8 liabilities under our bid.

9 With those modifications we will  
10 bid \$20 million.

11 MR. BOTTER: One clarification,  
12 you said you are assuming the liabilities  
13 that were placed into the indemnity by  
14 Hemisphere Logistics, and that is in  
15 accordance with the clarification E-mail  
16 that you sent this prior weekend?

17 MR. SOSLAND: Yes, that would be  
18 consistent with the letter that we sent  
19 over the last weekend.

20 MR. GURLEY: Thank you for your  
21 bid J Line. We will now take a brief  
22 recess, consult with the consultation  
23 parties and come back to the auction.

24 Five minutes.

25 (Recess taken.)

1 Auction Proceedings

2 MR. BOTTER: Mr. Feinstein said  
3 that the unsecured creditor committee as  
4 a consultation party believes that 20  
5 million is higher than 18 on the terms  
6 that Mr. Sosland put on the record.

7 Any of the consultation parties  
8 disagree with that view?

9 They are saying no.

10 MR. GURLEY: To Hemisphere the  
11 current bid is \$20 million in accordance  
12 with the terms laid out by J Line on the  
13 record. The minimum bid increment is  
14 \$500,000.

15 MR. RAVAL: We would like to take  
16 a break to discuss it.

17 MR. GURLEY: How much time do you  
18 need?

19 MR. RAVAL: Hopefully not more  
20 than five to seven minutes.

21 MR. GURLEY: Now we are off the  
22 record.

23 (Recess taken.)

24 MR. GURLEY: We are on the record  
25 again.

1 Auction Proceedings

2 The last bid was \$20 million from  
3 J Line with the changes read out on the  
4 record. Hemisphere do you have a  
5 response?

6 MR. RAVAL: Thank you Lance.

7 On behalf of Hemisphere Logistics  
8 we increase our prior bid by \$2 million  
9 cash.

10 MR. BOTTER: Off the record for a  
11 second.

12 (Recess taken.)

13 MR. RAVAL: We are increasing our  
14 cash component from \$18,850,000 to  
15 \$20,500,000, all of the terms and  
16 conditions unchanged.

17 MR. GURLEY: The consultation  
18 parties?

19 MR. FEINSTEIN: We are fine.

20 MR. GURLEY: The bid was  
21 \$20,500,000 from Hemisphere with the  
22 terms and conditions on the record.

23 J Line it is your yours.

24 MR. SOSLAND: We will bid  
25 21,500,000.

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2 MR. GURLEY: Terms and conditions  
3 the same as last time?

4 MR. SOSLAND: Yes.

5 MR. GURLEY: Hemisphere the bid  
6 from J Line was \$21,500,000, terms and  
7 conditions the same as read on the  
8 record. The bid is yours.

9 MR. RAVAL: Another break please.

10 MR. GURLEY: Ten minutes  
11 sufficient.

12 MR. RAVAL: Yes, hopefully less.

13 MR. GURLEY: Off the record.

14 (Recess taken.)

15 MR. GURLEY: We are back on the  
16 record.

17 The last bid \$21,500,000 from J  
18 Line. Hemisphere Logistics it is your  
19 bid.

20 MR. RAVAL: On behalf of  
21 Hemisphere we bid \$22 million cash. All  
22 of the terms and conditions unchanged.

23 MR. GURLEY: The bid from  
24 Hemisphere is \$22 million.

25 J Line it is your bid.

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2 MR. SOSLAND: J Line bids \$22.5  
3 million, all the terms and conditions the  
4 same.

5 MR. GURLEY: Thank you. The bid  
6 on the record from J Line is \$22,500,000.

7 Hemisphere the bid is yours, and  
8 there is no need to repeat same terms so  
9 long as the terms are the same and there  
10 are no changes.

11 MR. RAVAL: We would like to take  
12 a break.

13 MR. GURLEY: Very good. Will five  
14 minutes suffice this time.

15 MR. RAVAL: Yes.

16 MR. GURLEY: Thank you, off the  
17 record.

18 (Recess taken.)

19 MR. GURLEY: We are back on the  
20 record.

21 The last bid was \$22,500,000 from  
22 J Line.

23 Hemisphere the bid is yours.

24 MR. RAVAL: Hemisphere will  
25 increase it's bid to \$23 million, all

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2 terms and conditions are unchanged.

3 MR. GURLEY: Assuming everyone is  
4 signed off on the above, the current bid  
5 \$23 million.

6 J Line the bid yours.

7 MR. SOSLAND: J Line bids \$23.5  
8 million.

9 MR. GURLEY: The bid is \$23.5  
10 million from J Line.

11 Hemisphere the bid is yours.

12 MR. RAVAL: We will take another  
13 break.

14 MR. GURLEY: Be prompt please.

15 (Recess taken.)

16 MS. SCHULTZ: We are back on the  
17 record. Just a clarification before we  
18 proceed with further bids.

19 The defined term outside backup  
20 date in the bidding procedures that are  
21 attached to the bid procedures order is  
22 blank. In consultation with the  
23 consultation parties that date, assuming  
24 that the outside closing date under the  
25 asset purchase agreement is ultimately



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2 executed is March 31st, shall be set at  
3 April 28, 2017.

4 MR. GURLEY: With that  
5 clarification we are ready to resume the  
6 auction.

7 The last bid was \$23,500,000 from  
8 J Line.

9 Hemisphere it's your bid.

10 MR. RAVAL: On behalf of  
11 Hemisphere our bid is \$24 million.

12 MR. GURLEY: The bid from  
13 Hemisphere is \$24 million.

14 J Line your bid.

15 MR. SOSLAND: We need to caucus.

16 MR. GURLEY: Off the record.

17 (Recess taken.)

18 MR. GURLEY: The last bid was 24  
19 million for Hemisphere.

20 J Line your bid.

21 MR. SOSLAND: J Line will bid  
22 24,500,000.

23 MR. GURLEY: The bid is \$24.5  
24 million from J Line.

25 Hemisphere Logistics it is your

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2 bid.

3 MR. RAVAL: We would like to take  
4 a break.

5 MR. GURLEY: Okay, brief recess.  
6 (Recess taken.)

7 MR. GURLEY: Back on the record.  
8 Last bid was \$24.5 million from J  
9 Line.

10 Hemisphere it is your bid.

11 MR. RAVAL: We decline to bid  
12 further.

13 MR. GURLEY: For the record it is  
14 now 3:51, eastern time, we will adjourn  
15 the auction and go off the record.

16 Thank you all.

17 MR. GURLEY: Back on the record.

18 The results of the auction is a  
19 \$24,500,000 bid from J Line who is the  
20 successful bidder according to the bid  
21 procedures. The backup bid is for \$24  
22 million from Hemisphere Logistics.

23 The auction is adjourned.

24 MR. SANDLER: For the record this  
25 is Bradford Sandler, Pachulski Stang

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Ziehl & Jones on behalf of the committee,  
we would like Hemisphere Logistics to  
acknowledge that they will serve as the  
backup bidder.

MR. O'DONNELL: I am Dennis  
O'Donnell from Milbank Tweed on behalf of  
Hemisphere Logistics. We confirm on  
behalf of Hemisphere Logistics that we  
will serve as the backup bidder in  
accordance with the terms of the APA as  
modified today, including the new outside  
backup date of April 28, 2017.

MR. GURLEY: Thank you. Now the  
auction is adjourned.

(Time noted: 4:10 p.m.)

C E R T I F I C A T E

STATE OF NEW YORK )

: ss.

COUNTY OF NEW YORK )

I, Philip Rizzuti, a Notary  
Public within and for the State of New  
York, do hereby certify:

That the within auction  
proceedings are a true and accurate record.

I further certify that I am not  
related to any of the parties to this  
action by blood or marriage, and that I am  
in no way interested in the outcome of this  
matter.

IN WITNESS WHEREOF, I have  
hereunto set my hand this 15th day of  
December, 2016.

\_\_\_\_\_  
PHILIP RIZZUTI

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----- I N D E X -----

WITNESS	EXAMINATION BY	PAGE
none		

----- INFORMATION REQUESTS -----

DIRECTIONS:	None
RULINGS:	None
TO BE FURNISHED:	None
REQUESTS:	None
MOTIONS:	None

----- EXHIBITS -----

None marked